

and not one of them has ever said in a huge national debt that there is a free market in Government bonds.

There can't be. The interest rate is fixed by the Federal Reserve bank itself. This is something that no one can dispute.

The cost of servicing the national debt is advancing faster now than we will ever be able to catch up with it by passing tax laws. We just can't do it. The Federal Reserve is of course operating in a way just like Robin Hood acted except in reverse.

Robin Hood, it is said, would take from the rich and give to the poor. The Federal Reserve, however, takes from the poor and gives to the rich. The Congress of course is responsible for this and should do something about it. The Federal Reserve Bank of New York runs the Federal Reserve System. These other banks are just like branches. They have no power to amount to anything. They have about 20,000 people working in the Federal Reserve System but the bank of New York runs the show entirely.

None of these other 11 district banks can even make a condition statement unless the Federal Reserve Bank of New York first gives them the information. They have all the information.

The other 11 Federal Reserve banks don't have any, so it is run by the New York bank. And of course it is supposed to be under the Federal Reserve Board, or, to be more correct, it is the open market committee, and the open market committee is composed of the seven members of the Board and 12 presidents of Federal Reserve banks.

Those 19 fellows get around the table and fix the supply of money and determine interest rates.

Now, who are these 12? We will take the one in New York. He is just like all the other 11. He is elected by the directors in that bank. Who are the directors in that bank? Six of them are elected by the banks themselves, by the banks in that Federal Reserve district. They elect six of them and those six can run the entire show. The other three are appointed by the Federal Reserve Board, and they are not only in a minority position, but they must have had tested banking experience or the Federal Reserve Board cannot appoint them on that Board.

So, in effect, you have nine bankers running that Federal Reserve Bank of New York. It is the same way in all the other banks. The bankers have the majority of the directors and with this tested bank experience they have in effect a hundred percent of them now.

High interest rates, Mr. Chairman, should concern this committee a lot and I know it does. I know the members of this committee are conscientious and sincere and will do what is best in the public interest, but I invite your attention to the fact that the small businessman is going more and more out of the picture.

Over the years we have tried to help him. We have arranged to get loans made to the small businessmen up to an amount that would not let them get into a big business to compete with large business but can compete among themselves. We furnish them a little money to do that, but there is no source of funds for big money.

You know, there are a lot of mergers going on and a lot of good people are being displaced, people who have knowledge and ability, and they can go into a business and be in competition with some big concern that is charging too much to the consumers now, but they have no source of funds to go to. They have all been wiped out.